

ARTICLE APPEARED
ON PAGE A2

THE WASHINGTON STAR (GREEN LINE)
14 August 1979

U.S., Soviets Share Some Tough Domestic Problems

By Henry S. Bradsher
Washington Star Staff Writer

At one of their meetings in Vienna two months ago, President Carter asked Soviet leader Leonid Brezhnev what his greatest domestic problem was.

Brezhnev glanced at his comrade on the Soviet Communist Party politburo, Defense Minister Dmitry F. Ustinov, and then gave an answer that Carter could well appreciate from his own experience: "Energy."

There are other Soviet problems like manpower imbalances, political dissidence and alcoholism that might have come to Brezhnev's mind but been too sensitive for the party general-secretary to mention. But the energy shortage is a major constraint on the Soviet future.

Economic growth has become the primary justification for the Soviet Communist system. Its main public meetings are timed to talk about new five-year economic development plans so that other, more awkward subjects with more obvious political implications can be blanketed out.

But economic growth is becoming an awkward subject, too. The growth rate is slowing down. Energy problems are a key factor.

As the expansion of the economy falls below the planned rate, however, military production continues to grow. Armaments programs that U.S. analysts can now see under way — such as expensive new titanium submarines and several new missile systems — guarantee that military spending will continue to increase at a rate of 4 or 5 percent a year for the indefinite future.

With economic growth now slower than that, the armed forces are taking an increasing share of the nation's wealth. The CIA estimate of 11 to 13 percent of Soviet gross national product being consumed by the armed forces has long been considered too low by some outside analysts.

East-West Similarity

Although Soviet theoreticians were angered in the 1960s by the Western intellectual notion of a convergence between the capitalist and Communist systems as each changed over time, there is a distinct similarity in some of the problems now facing both East and West.

Both the United States and the Soviet Union have energy problems. Both face tough

The SALT II debate here has begun to change the U.S. climate on armaments. Those who advocate building a stronger military force feel that both official and public opinion is moving to their support. But some fear recession dims prospects for raising defense spending.

The American gross national product declined 1.1 percent in the first half of 1979, compared to an estimated Soviet growth of slightly under 1 percent after an unusually severe winter. The Soviet figure for the whole year probably will end up at 2 percent growth, which is bad for the Soviets but not bad compared with the problems facing a number of Western nations.

The U.S. recession means that the Carter administration will have a hard time finding extra money for the kind of increased military spending being advocated by such people as Henry Kissinger and Sen. Sam Nunn, D-Ga., as a price for ratifying SALT II.

The Soviets already seem to be having trouble finding more military money, and it is going to get worse.

There are three main areas of Soviet spending: consumption that has given the Soviet people a sense of steadily improving living standards in the last two decades, investment that is needed in the long run to keep up that improvement, and the armed forces.

Past economic growth has permitted all three to expand simultaneously. But Stansfield Turner, director of the CIA, testified before Congress recently that a pinch is coming.

He based this on predictions of a further slowdown in growth. The rate might drop as low as 1 or 2 percent a year if the energy problem worsens because Soviet oil production falls off as much in the early 1980s as the CIA expects. Some other analysts say, however, that the CIA estimate of declining Soviet oil output is too bearish, and the rate is unlikely to drop that low.

A very low rate "could squeeze the U.S.S.R.'s resources to the point where something has to give," Turner said.

Capital Investment Down

"Reducing growth in investment below current rates seems unlikely in view of the vast needs for new, more energy efficient investment goods throughout the country and the already slow pace of investment (3 percent per year)," Turner's written testimony said.

"Reducing growth in consumption would have a negative impact on worker morale and productivity just when a boost in both is needed most.

"Reducing growth in defense spending in a period of leadership transition — likely in the 1980s — would be equally difficult since those vying for power probably will be reluctant to press for actions that might alienate the military.

"In the absence of any reduction in the pace of defense expenditures, however, the burden of slowing economic growth would fall squarely on the consumer, whose standard of living would stagnate."

The overworking of existing oil fields, so that their total productivity is lower than if pumped slower, and the long lead time and vast investment needed to develop new fields in harsh Siberian terrain and climate, are only one factor in the growth slowdown. Several long-term effects are combining.

Readily accessible raw materials are being exhausted, capital investment is down while the gains from each additional ruble of it are declining, and the related rate of labor productivity increase is also dropping. The Joint Economic Committee of the U.S. Congress has been warning of a similar problem here of inadequate investment to modernize plant and enable each worker to produce more, thus cutting unit costs and checking inflation.

The Soviet work force is no longer growing rapidly, labor turnover is increasing, and the Kremlin has been unwilling to counter these problems with greater material incentives. Its use of political exhortation has had little result, however.

It has also resorted to yet another round of Communist Party and government resolutions on reorganizing economic management to try to get better results. But nothing much has changed.

The party still resists the decentralization that some think is